Joint Committee on Taxation
May 16, 1984
JCX-D1-84

Explanation of Proposed Amendment to H.R. 4280, the Retirement Equity Act of 1984, as Marked up by the Committee on Ways and Means on March 27, 1984 Scheduled for Consideration by the Committee on Ways and Means on May 16, 1984)

On March 27, 1984, the Committee on Ways and Means met to mark up H.R. 4280, the Retirement Equity Act of 1984, which has been referred jointly to the Committee on Education and Labor and the Committee on Ways and Means. The Committee on Education and Labor reported H.R. 4280, as amended, on April 5, 1984. Prior to reporting the bill, the Committee on Ways and Means directed the Chairman to consult with the Chairman of the Committee on Education and Labor with respect to how to resolve the differences in the two versions of the bill. The following proposed amendments reflect their conversations:

H.R. 4280 (as marked up by the Committee on Ways and Means on March 27, 1984)	Proposed Amendment
A. Survivor Benefit Coverage	
1. Plans required to provide survivor benefits.--A profit-sharing or stock bonus plan is not required to provide survivor benefits if the plan (a) pays the full vested account balance as a benefit at the participant's death, and (b) does not offer benefits in the form of a life annuity or an annuity with a term of at least 10 years.	A profit-sharing or stock bonus plan would not be required to provide survivor benefit coverage in accordance with the provisions of this bill if the plan pays the full vested account balance as a benefit at the participant's death.
2. Election period for qualified joint and survivor annuity.--A plan must permit a participant and spouse to elect to waive a qualified joint and survivor annuity within a reasonable period before the annuity starting date.	Technical amendment to clarify that a reasonable period would mean a period that is not more than 90 days before the annuity starting date.

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3. Cash out of benefits to surviving spouse.--If the present value of benefits to be provided to a surviving spouse is less than $3,500, the plan may cash out the benefit without the spouse's consent.	A plan would be required under ERISA to transfer a cash-out amount directly to an IRA or other qualified plan if the surviving spouse requests such a rollover.
B. Qualified Domestic Relations Orders	
1. Payment of benefits if alternate payee of qualified domestic relations order cannot be located.--Does not specify the plan's treatment of amounts that should have been paid to an alternate payee if the alternate payee cannot be located. Under the usual rules for lost beneficiaries under qualified pension plans, such amounts may not be forfeited unless the plan provides for reinstatement when the alternate payee is located (Treas. Reg. sec. 1.411(a)-4(b)(6)).	Technical amendments to codify the regulations which provide that if alternate payee cannot be located, the plan would not be permitted to forfeit the amounts that should have been paid unless the plan provides for reinstatement if the alternate payee is located.
2. Status of alternate payee under a qualified domestic relations order.--Alternate payee is treated as a beneficiary for all purposes.	Technical amendment to clarify that the alternate payee will not be taken into account in computing PBGC premiums prior to the participant's death.
C. Codification of Rev. Ruls. 79-90 and 81-12.--Provides for codification of two revenue rulings relating to the effect of a plan amendment that reduces previously accrued benefits.	Technical amendments to Internal Revenue Code that more precisely clarifies the scope of Rev. Rul. 81-12 to provide that prohibited elimination or reduction of a benefit subsidy or optional form of benefit with respect to previously accrued benefits would not prevent prospective changes in benefit accruals. This provision would not apply to a terminated plan subject to Title IV of ERISA.

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D. Effective Dates	
1. Eligibility for qualified joint and survivor annuity.--Provides qualified joint and survivor annuity in the case of any participant who meets the requirements for such benefits and performs an hour of service under the plan after the date of enactment.	Would provide a qualified joint and survivor annuity in the case of any participant who meets the requirements for such benefits and performs an hour of service under the plan after September 2, 1974.
2. Preretirement survivor annuity.--No special provision for participants who severed employment before the date of enactment.	Would provide the right to elect coverage under the preretirement survivor benefit rules to any separated participant who (a) performed an hour of service under the plan after December 31, 1975, (b) has vested benefits under the plan, (c) completed 10 years of service prior to separation, and (d) is not in pay status. The election period would begin on the effective date and would continue until the earlier of (a) the participant's death, or (b) the attainment of normal retirement age. A plan would be required to include notice of the right to this election in the Summary Annual Report which, as under present law, must be provided to all participants (including former participants). Failure to provide the notice would result in imposition of a dollar penalty of $1 per day per participant up to $2,500. In addition, the Department of Labor would be directed to develop public service announcements to notify participants of this right. Under this provision, a plan would not be liable for payment of a preretirement survivor benefit unless the participant had, in fact, filed an election with the plan. In addition, the plan could pass the entire cost of providing the benefit to the participant.